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**THIS ACTION IS FUNDED BY THE EUROPEAN UNION**

**ANNEX I**

of the Commission Implementing Decision on the financing of the annual action plan in favour of Peru for 2022

**Action Document for “Sustainable Business – A Circular, Inclusive Economy”**

**ANNUAL PROGRAMME**

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and action plans in the sense of Article 23 of NDICI-Global Europe Regulation.

## 1 SYNOPSIS

### 1.1 Action Summary Table

<b>1. Title</b> <b>CRIS/OPSYS business reference</b> <b>Basic Act</b>	<b>Sustainable Business – A Circular, Inclusive Economy</b> CRIS number: NDICI/2021/043-875 – OPSYS: ACT 60645 Financed under the Neighbourhood, Development and International Cooperation Instrument ( <u>NDICI-Global Europe</u> )
<b>2. Team Europe Initiative</b>	Circular Transition: Circular Economy and Sustainable Cities
<b>3. Zone benefiting from the action</b>	Peru
<b>4. Programming document</b>	Multi-annual Indicative Programme (MIP) Peru 2021-2027 <sup>1</sup>
<b>5. Link with relevant MIP(s) objectives / expected results</b>	<b>MIP Priority Area 1: Circular transition: promote the transition to a green and inclusive economy and development</b> <b>Sector 1: Circular economy</b> <u>Specific objective 1.1:</u> Strengthen the EU-Peru partnership on circular economy in international and multilateral fora. Expected result 1.1.1: Peru is an active actor in international or regional initiatives related to circular economy, biodiversity and sustainable Amazon value chain development. <u>Specific objective 1.2:</u> Create an enabling environment for inclusive, sustainable, and circular consumption and production systems. Expected result 1.2.1: National policies, plans and legislation on sustainable, circular, and low-carbon consumption and production are developed and implemented.

<sup>1</sup> C(2021) 8996 of 14.12.2021

	<p>Expected result 1.2.2: The capacity of national and sub-national authorities to formulate sustainable economic development strategies and to promote sustainable value chains, raw materials, industrial and agricultural, is strengthened.</p> <p><u>Specific objective 1.3:</u> Promote the adoption of green and circular economy practices in businesses and value chains, including the promotion of deforestation-free supply chains.</p> <p>Expected result 1.3.1: Business and trade opportunities alongside sustainable value chains are increased. Networking between EU and Peruvian and SMEs is strengthened.</p> <p>Expected result 1.3.2: The private sector is aware of green business potential and embraces circular economy as a growth strategy.</p>
<b>PRIORITY AREAS AND SECTOR INFORMATION</b>	
<b>6. Priority Area(s), sectors</b>	410 - General Environmental Protection 430 - Other Multisector
<b>7. Sustainable Development Goals (SDGs)</b>	<p>Main SDG (1 only): SDG 12 (Responsible Consumption and Production)</p> <p>Other significant SDGs:</p> <p>SDG 5 (Gender Equality),</p> <p>SDG 6 (Clean Water and Sanitation),</p> <p>SDG 7 (Affordable and Clean Energy),</p> <p>SDG 8 (Decent Growth and Economic Growth),</p> <p>SDG 9 (Industry, Innovation, and Infrastructure),</p> <p>SDG 13 (Climate Action),</p> <p>SDG 14 (Life below Water),</p> <p>SDG 15 (Life on Land).</p>
<b>8 a) DAC code(s)</b>	<p>41010 Environmental policy and administrative management – 33.3%</p> <p>31110 Agricultural policy and administrative management – 33.3%</p> <p>32110 Industrial policy and administrative management – 33.3%</p>
<b>8 b) Main Delivery Channel @</b>	<p><i>EU institution – 42001 – European Commission (Delegation) – 35.7%</i></p> <p><i>Delegated cooperation – 13000 – 50.0%</i></p> <p><i>NGO – 20000 and/or Private sector – 60000 – 14.3%</i></p>
<b>9. Targets</b>	<p><input type="checkbox"/> Migration</p> <p><input checked="" type="checkbox"/> Climate</p> <p><input type="checkbox"/> Social inclusion and Human Development</p> <p><input checked="" type="checkbox"/> Gender</p> <p><input type="checkbox"/> Biodiversity</p> <p><input type="checkbox"/> Education<sup>2</sup></p> <p><input type="checkbox"/> Human Rights, Democracy and Governance<sup>3</sup></p>

<sup>2</sup> This target is specific to INTPA. If the action is marked as contributing to the Education target, please make sure the target on “Social inclusion and Human Development” is also marked.

<sup>3</sup> Thematic target for geographic programmes (at least 15%) in delegated act.

<b>10. Markers</b> (from DAC form)	<b>General policy objective @</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with disabilities @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Biological diversity @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Combat desertification @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>11. Internal markers and Tags:</b>	<b>Policy objectives</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Digitalisation @ Tags: digital connectivity digital governance digital entrepreneurship job creation digital skills/literacy digital services	<input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	Connectivity @ Tags: transport people2people energy digital connectivity	<input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

	Migration @ (methodology for tagging under development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities (methodology for marker and tagging under development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Covid-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>BUDGET INFORMATION</b>				
<b>12. Amounts concerned</b>	<p>Total estimated cost: EUR 21,400,000<sup>4</sup></p> <p>Total amount of EU budget contribution EUR 14,000,000</p> <p>This action is co-financed in joint co-financing by:</p> <ul style="list-style-type: none"> <li>- EU MS DE-GIZ for an amount of EUR 7,000,000<sup>3</sup>;</li> <li>- the entity(ies) to be selected in accordance with the criteria set out in section 4.3.1, for an estimated amount of EUR 400,000.</li> </ul> <p>The following Member States provide support to the Circular Economy component of the Circular Transition TEL, this action is part of:</p> <p><b>DE:</b></p> <ul style="list-style-type: none"> <li>- Circular economy for climate-friendly development; EUR 3,000,000</li> <li>- Circular economy in the manufacturing sector (in preparation; EUR 3,000,000 TBC)</li> <li>- Sustainable Territorial Economic Development – ARD; EUR 2,000,000</li> <li>- BioInvest-IKI Improving conditions for investment in biodiversity-friendly business models; EUR 5,900,000</li> <li>- Promotion of qualification and business models in times of climate change; EUR 5,000,000</li> <li>- <i>Green recovery loan COFIDE; EUR 250,000,000</i></li> <li>- DKTI Energy: Distribución eléctrica 4.0 - Smart grids; n.a.</li> </ul> <p><b>ES:</b></p> <ul style="list-style-type: none"> <li>- Support to the Instituto Tecnológico de la Producción; EUR 500,000</li> <li>- Support to the elaboration of the National Sustainable Production and Consumption Plan; EUR 100,000</li> <li>- Sustainable Territorial Economic Development – ARD; EUR 500,000</li> </ul> <p><b>NL:</b></p> <ul style="list-style-type: none"> <li>- Support to the Peru Circular Platform; EUR 30,000</li> <li>- Café Circular; EUR 3,000,000</li> </ul> <p><b>(EU-)DE-SV-NL-AT:</b> - GET-transform; Electricity sector transition; n.a.</p>			
<b>MANAGEMENT AND IMPLEMENTATION</b>				
<b>13. Type of financing<sup>5</sup></b>	<p><b>Direct management</b> through:</p> <ul style="list-style-type: none"> <li>- Grants</li> <li>- Procurement</li> </ul>			

<sup>4</sup> Subject to the parallel approval of a DE financing proposal for a budgetary allocation to promote competitiveness for a sustainable economic development at regional level.

<sup>5</sup> Art. 27 NDICI

	<b>Indirect management</b> with the entity(ies) to be selected in accordance with the criteria set out in section 4.3.3.
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## 1.2 Summary of the Action

Peru's strong growth of the last two decades helped reduce levels of poverty. However, it followed a linear and resource-intensive model of exploitation of its vast primary natural and mineral resources. The integration of sustainable practices in the economic system, industry and agro-livestock sectors is still incipient, but Peru laid the foundations for embarking on a green growth agenda, strengthening its policy and regulatory frameworks.

There is strong EU presence: Member States, cooperation, development banks, private sector and civil society organisations (CSOs). The EU is by far the main investor in Peru. Its private sector is dominant in economic areas in everything sustainable, environmental, social, and governance-related (ESG) and interested in increasing its engagement further. The EU market is of utmost importance for Peruvian agro-livestock exports. The EU is committed to greening its global value chains. Peru can be a privileged partner to provide quality produce, strategic raw materials and clean energy.

Convinced that Team Europe approach can have a transformative impact driving Peru's the greening of Peru's economic system, EU partners in Peru have agreed and committed to the Team Europe Initiative (TEI) *Circular Transition*. The present Action is at the core of the TEI, supporting its steering and the bundling of EU policy and cooperation instruments, trade and investment. It will in particular support the TEI's Circular Economy component, assisting Peru advance in a green transition, towards a low-carbon, resource-efficient, climate resilient and inclusive economy.

As the circular transition requires an integrated inter- sectoral approach, the Action will act at macro/legal, meso/institutional and service and micro/business level. It proposes to address several obstacles hampering the adoption of circular economy practices, namely i) the lack of a clear institutional framework for the development of circular economy practices; ii) the limited capacity and resources of central and regional governments for its deployment and implementation; iii) the limited articulation between stakeholders (public, private, academia and civil society); iv) the lack of affordable and accessible green financing instruments; and, v) the limited knowledge of public and private sector about circular economy concepts and opportunities.

The overall objective is to support Peru's transition towards a more inclusive green economic growth pathway. Specifically, the Action pursues the following induced outcomes (see 3.1):

1. Specific Objective 1: The enabling environment for circular economy development is strengthened.
2. Specific Objective 2: A multi-actor alliance of public and private sector, academia, and civil society actors for promoting circular economy is consolidated.
3. Specific Objective 3: Circular businesses and value chains are promoted with a gender perspective.

It shall be implemented through directly managed service and grant contracts as well as in indirect management with EU MS. Side by side with TA that will support public policy design and implementation, the EU will engage directly with private sector, academia and civil society. Interventions at territorial level shall both prove the viability of circular approaches and bring clear benefits to populations. This is also where this Action links up with the ongoing EU (INTPA-DE-ES) programme *Sustainable economic development and SME promotion at subnational level* (LA/2017/038-907).

The Action shall allow setting up a strong coordination mechanism and joint technical support cell for the TEI Peru. The action will provide for cross-sectoral coordination and articulation of EU action under the TEI.

This Action contributes to the progressive achievement of SDG 8 (Decent employment and economic growth), SDG 9 (Industry, innovation and infrastructure) and SDG 12 (Responsible consumption and production). It also contributes to SDG 5 (Gender Equality), SDG 6 (Clean Water and Sanitation), SDG 7 (Affordable and Clean Energy), SDG 13 (Climate Action), SDG 14 (Life below Water), and SDG 15 (Life on Land).

Aid to environment is the principal objective. Transitioning to a circular low-resource economy will i.a. have significant impact on climate change mitigation and adaptation, and biodiversity. With a strong potential for women's economic empowerment in selected value chains the Action is rated G1.

## 2 RATIONALE

### 2.1 Context

Since 2016, the political context in Peru is dominated by cabinet changes, impeachment of Presidents and Ministers, tensions between Executive and Legislative and electoral crisis. Instability and corruption scandals have weakened the process of design and implementation of public policies, a situation which became even more evident during the COVID-19 pandemic. Twenty parties ran during the 2021 Presidential elections and most of the newly elected members of Congress have never had political experience or militancy. The shift to the left could bring a much welcome refocus on fighting poverty and raising social development, but a weak President and administration find themselves under constant siege from the opposition.

With ill-prepared health and social protection systems, Peru reacted to the COVID-19 pandemic with a harsh lockdown and important spending programmes. Prolonged confinement measures led to a decline in GDP of 11.1% in 2020 and revenues fell dramatically. Inequality and poverty increased. Labour informality, at 72% before COVID-19, rose further. Peru still enjoys a solid macroeconomic position, with a debt of 35.3% of GDP in Sep 2021 (MEF), leaving fiscal space for reforms. Growth returned quickly and export earnings are breaking records.

An EU regional ally in environmental matters, Peru is signatory to the Leticia Pact for the Amazon, the Global Alliance on Circular Economy and Resource Efficiency -GACERE-, and the Global Plastic Action Partnership. Mega-diverse country and vulnerable to climate change, Peru is willing to embrace green growth. A trade agreement with the EU is in place, with Peru enjoying significant surpluses thanks to agricultural exports.

In the last years, Peru laid the foundations for embarking on a green growth agenda, with the Ministry of Environment's Guidelines for Green Growth (2016), the Climate Change Framework Law (2018), and the EU-supported Roadmap towards a Circular Economy in the Industry Sector (2020), the Agriculture Sector (2021) and the Fisheries and Aquaculture Sector (2021). The Circular Peru Platform a public-private-academia partnership is currently under development with EU assistance and can have a central role in the deployment of these roadmaps.

On 25 January 2022, the OECD Council decided to open accession discussions with Peru, which accepted the invitation. An individual roadmap for the detailed assessment process is now being prepared. Peru has been an active partner country, engaging through its OECD Country Programme, built around five key areas: economic growth; public governance, anti-corruption and transparency; human capital and productivity; and environment.

The EU has been providing support to the circular economy over the last years. With a strong presence and a privileged position, the EU and its Member States can help deliver on creating green, decent employment along sustainable value chains. In line with the *EU Green Deal*, MIP priority 1 *Circular transition* and the Team Europe Initiative (TEI) "*Circular Transition: circular businesses and sustainable cities*", the Action provides the means for kick-starting the TEI. This includes both funding for specific actions and establishing a solid support structure. It is conceived as a first stage that shall prepare the ground for a next phase enabling the mobilisation of EFSD+ guarantees and/or blending. It shall help ensure complementarity with the regional Green Deal and Amazon TEIs.

Home to the second largest area of Amazon rainforest, Peru is a megadiverse country, and hosts some of the richest natural ecosystems in the world. However, in the last two decades the country's economic growth has been primarily supported by a linear "take-make-waste" model of exploitation of its vast natural and mineral resources. The COVID-19 pandemic led to a massive migration from urban to rural areas due to strict quarantine measures and job loss, where people returned to subsistence agriculture, at the expense of the environment. Deforestation in Peru's Amazon region in 2020 was the highest in the past 20 years (203,272 hectares, almost four times the area lost in 2019; Ministry of Environment, 2021).<sup>6</sup> Land use change is by far the biggest source of GHG emissions.

Successful EU and EU MS support to agricultural value chains (i.e., organic banana, cocoa, coffee or sugar producers, associations, and cooperatives) has shown the potential for job and income generation in fair-trade/organic/sustainable agriculture, increasingly demanded by export markets like the EU. The process of moving to circular practices occurs almost naturally and based on own interest. Cooperatives or enterprises also act as extensionists, increasing technification levels and thus productivity and competitiveness. The consequently formalised producers enjoy social benefits and higher income levels. Similar experiences have also been reported in industrial value chains. With their produce mainly going to the EU (and US) markets, increasingly scrutinised

<sup>6</sup> <https://cdn.www.gob.pe/uploads/document/file/2009980/9-7-21%20PPT%20MINAM.pdf>

EU value chains and consumption become more sustainable too. There is great potential for further expansion and thus sustainable income and decent employment generation, reducing resource and chemicals use.

The EU, DE, and NL have been supporting the elaboration and implementation of roadmaps towards a Circular Economy (CE) in the Industry, Agriculture, and Fisheries and Aquaculture Sectors and the creation of the Circular Peru Platform, a quadruple-helix platform to stimulate the transition. The EU assisted in the institutionalisation of the Mesa Verde, the national coordination mechanism of international cooperation actors in environmental matters, including the definition and launch of four working groups (one of them being Circular Economy, co-led by the European Union along with the Ministry of Environment-MINAM). The EU also represents the donor community in the working group to set up the Peru Circular Platform.

The EU has so far organised four editions of the International Circular Economy Forum. Building on current work on CE roadmaps, value chain development in regions and support to innovation, the Action shall build up critical mass in these lines of action. It will also engage the Peruvian private sector directly, prepare the stage and identify financial instruments as loans or guarantees to promote CE private sector investment for a subsequent stage, in cooperation with EU MS.

Although the concept of circular economy is raising high level of interest in the country, Peru still lacks a national strategy or formal green growth or Circular Economy plan. The National Economic Recovery Plans of 2020 and 2021 (*Plan Arranca Perú* 1 and 2), although addressing pertinent issues as water supply and sanitation infrastructure, missed the opportunity to link green investment and development. Without a clear unifying mechanism, the deployment of individual Ministry roadmaps is limited due to weak articulation, limited capacity, and resources. The private sector too, including cooperatives exporting to the EU, is increasingly interested in promoting CE practices, but awareness of entrepreneurs or producers is limited, and capacities and resources scarce.

In urban areas, the manufacturing industry (composed of some 102,000 formal MSMEs) represents one of the main causes of environmental pollution. Industrial effluents release around 39,000 tonnes of methane, or 823,000 tonnes of CO<sub>2</sub> equivalent annually<sup>7</sup>. In addition, the manufacturing industry represents 27.4% of emissions related to fuel combustion, with a significant upward trend in the last few years (146% increase between 2000 and 2014). Unmanaged industrial wastewater discharges are not only a cause of environmental concern but a matter of public safety with consequences to human health.

## 2.2 Problem Analysis

### Enabling environment:

Peru's regulatory framework, policies, instruments, and financing mechanisms are not yet conducive for CE development. The implementation of the CE is carried out with limited inter-sectoral articulation, without a clear unifying actor. Deployment is hindered by insufficient integration into ministerial operational plans, low capacities and resources of central government institutions. The implementation of the CE Roadmap for the Industry Sector, the only one existing so far, reached only 5% progress in its first year of implementation.

The current fiscal framework does not promote the integration of green and circular practices into production processes, and environmentally harmful fossil fuels are still being subsidised by the government. There are limited mechanisms and incentives to promote the uptake of CE (such as CE standards, labels, green procurement programmes, etc.) and existing ones (e.g. Clean Production Agreements) have low reach and impact because they are implemented on an individual basis and not at sectoral level.

In addition, more affordable and accessible green financial instruments and mechanisms are needed to facilitate investment in green production.

### Multi-actor alliance - Articulation

Articulation between public authorities and other key stakeholders as private sector, academia, and civil society, is equally weak. No specific institution exists for the purpose. The 2021 multi-sector *Peruvian Pact for a Circular Economy Circular* is a very welcome initiative in this regard. It is the basis for the development of the *Circular Peru Platform (Plataforma Peruana por una Economía Circular - PPEC)* starting in early 2022, with EU participation. Nailing the governance and financing of the PPEC will be crucial. Besides forming a platform for

<sup>7</sup> Source: Circular economy for climate-friendly development programme (GIZ, 2021)

nourishing this multi-actor alliance for a CE, the PPEC will also need to develop baselines, studies, information and monitoring on CE practices and penetration in the country.

At the same time platform partners will have to scale up their offer of CE services and activities. Although there is a rising demand for CE services, lacking capacity and resources for its implementation and delivery, the Ministry of Production's network of Centres for Productive Innovation and Technology Transfer (CITEs) menu of CE services is still incomplete. Higher education institutions are yet to fully embrace and integrate CE in curricula and course offer. And civil society has yet to become an accepted partner for clean production monitoring.

#### Circular businesses and value chains

The agriculture and fisheries sectors are dominated by large efficient agro-export and business and a huge number – some 30% of the workforce - of inefficient low-productivity family and/or subsistence farmers. The latter, mostly poorly educated, informal and highly vulnerable, face difficult conditions for achieving decent livelihoods. Without alternatives they are also the driver of environmental degradation, deforestation, water use. With very low levels of technology-use they produce commodities or agricultural goods with no added value. At the same time, successful cooperation programmes in the country have proved that farmers can be formalised, gain access to social benefits, and receive significantly higher prices for sustainable, organic or fair-trade produce when associated, technologically supported, monitored and marketed in cooperatives, or even as reliable suppliers of private enterprises. They can indeed use the large opportunities for the development of trade in green and sustainable products, not least due to EU and other trade powers' regulations on due diligence or deforestation.

Promoting CE in their holdings is the means to improve livelihoods, but requires the existence of qualified intermediaries and ideally, regional policies accompanying this transition. As in the EU, regions have a major role to play in this sense. This Action will thus build on the complementary EU/TE territorial development programme that has been supporting selected regions in the preparation of development strategies along selected value chains, in participation between public and private sectors, academia and civil society.

Very different in its situation, the industry sector is dominated by inefficient and polluting small-sized MSMEs, with low or non-application of environmental management tools and standards and consequent uncontrolled resource consumption, waste generation and pollution. Knowledge on CE is largely limited, although there is rising, but insufficiently incentivised interest. Few entrepreneurs are aware of economic advantages or business opportunities. The lack of CE product and service providers contributes to this. While value chains as textiles, plastics and metal mechanics have a negative environmental balance and high business volume, they also have the sensibility to drive the greening of industry. Finally, there is a weak integration of green and circular approaches into entrepreneurial business programmes, a reduced offering of training programmes in the field of CE.

#### Gender equality

In Peru, gender stereotypes lead to a low participation of women in the private sector, both as employees and as entrepreneurs. After a decade of economic growth, there remain gender gaps, particularly in terms of women's economic and political participation, in access to positions of power and wage, access to and use of financial services.

In addition, indigenous populations experience greater socioeconomic. Exclusion and inequalities manifest differently within indigenous groups, with women being the most disadvantaged.

#### **Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action:**

**Team Europe members** (at country level currently BE, DE, DK, ES, FI, FR, IT, NL, SE and International Financial Institutions (IFI) AFD-Proparco, AECID-Cofides, EIB, KfW-DEG; Switzerland is associated) and **EU cluster actors** (EU private sector, civil society, and academia):

In parallel with the formulation of the Action, TE partners are preparing a joint intervention framework. This allows both incorporating all ongoing actions in the field of Circular Economy and orienting future commitments under a common logic. TE members have further prepared a plan for joint dialogue with authorities and calendar of TE/TEI events. This is in the process of being complemented by a communication strategy, plan and guidelines.

Relevant synergies exist with EU Chambers of Commerce and individual enterprises. The EU is the leading investor in Peru. Much of its business is circular economy relevant. Various EU companies are present and searching to increase investment. Renewable energy investment clearly stands out, both for enormous potential

and EU strategic interest. ENEL champions the Roadmap for the Energy Transition, in cooperation with the Ministry of Energy and Mining. BBVA has linked credits to property buyers to sustainable construction norms. Others are major players in agro-livestock (Bayer), mining and other value chains. EU processing and supermarkets source much of their produce from Peru (cocoa, blueberries, grapes, avocados, grains, fibres, etc.), paying premium for sustainable, fair trade, organic products. They will rely on and push for compliance with deforestation-free and other regulation.

EU civil society can both provide expertise to local counterparts, inter alia strengthening producer or loan and savings cooperatives, fundamental for increasing product quality, compliance, producer formalisation and income. Working with local partners EU CSO are powerful drivers for transition, raising consumer awareness, perform oversight of compliance i.a. EU academia can pair with local institutions for research or capacity building actions, including with Erasmus+ funding.

The Action will strengthen the triple/quadruple-helix partnership around the Peru Circular Platform. Public and private sector, academia and non-profit organisations shall be engaged in the greening of the economy or value chains.

**Public sector** stakeholders – Duty bearers include the Ministries of Environment – MINAM, Finance – MEF, Agriculture and Irrigation – MIDAGRI, Industry - PRODUCE (including its Technological Institute of Production (ITP) and CITEs network) and External Trade and Tourism – MINCETUR.

With the mandate to design and implement policy they define the regulatory framework for CE development, the CE Roadmaps, system of incentives and oversight.

**Regional governments** – Duty bearers of selected regions, with the mandate to define regional development strategies: At subnational level, the Action will work with few selected regional governments to develop CE strategies, with the aim to integrate CE and climate change into the Regional Development and Innovation Strategies and the work of Regional Development Agencies, deployed with EU/MS assistance under the ongoing regional economic development programme (ARDs).

**Private sector** stakeholders are responsible for production and investment and present in work on CE roadmaps. Private sector associations will be involved directly in the implementation of this action, including in awareness raising and training activities, service provision, innovation promotion and most importantly sustainable value chain transition. In the industry sector the National Society of Industries – SNI stands out, The Lima Chamber of Commerce- CCL, and with it the Peru Chambers of Commerce (PERUCÁMARAS) are other potential partners, as are others as the Association of Agricultural Producers Guilds – AGAP, the Exporters Association (ADEX) or REICLAME.

Cooperatives play an important role in promoting associations of most vulnerable producers and are decisive for their economic inclusion, improving productivity levels, providing many services for them, from agricultural extension to marketing. Current and potential partners i.a. include the Piura-based Norandino cooperative,

**Academia** is an essential partner in the quadruple-helix for CE development the programme wants to mobilise. Potential academia partners, i.a. include Piura University, the National University of San Marcos, the National University of San Martín, and the Pacific University. The EU e.g. developed a training programmes in the field of CE with the Pacific University and SNI.

**Civil society** and CSO round off the set of stakeholders and potential implementing partners, completing the alliance for transition. EU dialogue with youth organisations is ongoing and can create a powerful alliance as it advances. Working with cooperatives, civil society organisations, including women and indigenous organisations, both EU and local, can help upscale CE practices in agro-livestock value chains and raise awareness.

### 3 DESCRIPTION OF THE ACTION

#### 3.1 Objectives and Expected Outputs

The **Overall Objective** (Impact) of this action is: **Peru transitions towards inclusive sustainable economic growth.**

The **Specific Objectives** (Outcomes) are to:

1. **Specific Objective 1:** Strengthen the enabling environment for circular economy development.
2. **Specific Objective 2:** Consolidate a multi-actor alliance of public and private sector, academia, and civil society actors for promoting and leading the circular transition.
3. **Specific Objective 3:** Promote circular businesses and value chains with a gender perspective.

The Outputs to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are:

**Specific Objective 1:**

- **Output 1.1.** Laws, policies and other instruments forming part of the policy, regulatory, fiscal, trade and finance framework for circular economic development are developed, revised and better implemented.
- **Output 1.2.** *Circular Economy Roadmaps*, in priority areas of industry, agri-livestock, fisheries & aquaculture and services are defined and better deployed.

**Specific Objective 2:**

- **Output 2.1.** Enhanced institutional mechanisms for CE development, coordination and information generation.
- **Output 2.2.** An *Alliance* of private and public actors, academia and CSO, including women and youth and indigenous organisations is formed, articulating the promotion of circular production and consumption.

**Specific Objective 3:**

- **Output 3.1.** Enhanced capacity of selected regions/economic corridors to implement circular economy practices<sup>8</sup>.
- **Output 3.2.** *Circular industry*: The capacity to employ circularity practices in the industry sector, and in particular in the *plastics and textiles* value chains<sup>9</sup>, is increased.

### 3.2 Indicative Activities

Activities related to Output 1.1: **Policy, regulatory, fiscal, trade and finance framework for CE**

- A1.1.1. Promote the development of a national circular economy strategy or policy, gender and human rights responsive, including an adequate institutional framework for its articulation, to bring together the CE sectoral roadmaps under one single country vision and policy.
- A1.1.2. Support the setting up of a system of regulatory, non-regulatory and voluntary mechanisms and incentives to promote the uptake of circular economy practices, clean technologies, and production, including indicatively:
  - environmental taxation and fiscal incentives;
  - green public procurement;
  - context-adapted technical standards and certification schemes for circular products and organisations, including for compliance with national and international trade, including UN Guiding Principles on Business and Human Rights (due diligence);
  - clean production agreements, et al.
- A1.1.3. Analyse constraints regarding green finance and sustainable funding and identify instruments to promote financial instruments and services for the deployment of circular economy schemes, in line with the Green Finance Roadmap, not least for a subsequent stage of EFSD+ financing.

*TEI: DE: BioInvest-Impact investment for the sustainable use of biodiversity in Peru; 5,900,000*

*TEI: DE: Green recovery loan COFIDE; EUR 250,000,000*

- A1.1.4. Provide technical assistance for Peru's adherence and action in circular transition-related multilateral initiatives (e.g. GACERE, Leticia Pact for the Amazon, Global Plastic Action Partnership)
- A1.1.5. Coordinate inter-institution and inter-actor action for circular economy, including EU and Team Europe initiatives and communication.

<sup>8</sup> Tentatively Piura, La Libertad and San Martín.

<sup>9</sup> To be confirmed.

#### Activities related to Output 1.2: **Circular Economy Roadmaps**

- A1.2.1. Assist the preparation and implementation of priority Circular Economy Roadmaps in areas of industry, agri-livestock, fisheries & aquaculture and services<sup>10</sup>.

*TEI: DE: Circular economy for climate-friendly development - Industry; EUR 3,000,000*

*TEI: DE: Circular economy in the manufacturing sector - Industry; EUR 3,000,000 TBC*

- A1.2.2. Support the development of monitoring, evaluation and reporting systems to measure and inform about progress reached and impact achieved by Peru in its just transition to a circular economy, including gender and human rights aspects.

#### Activities related to Output 2.1: **Institutional mechanisms for a Circular Economy**

- A2.1.1. Consolidate the institutional setup, inclusive governance, and coordination of the PPEC.

*TEI: NL: Support to the Peru Circular Platform; EUR 3,000*

- A2.1.2. Strengthen the PPEC to develop evidence-based data, information, and knowledge products to help stakeholders start/boost circular transition and identify areas where action needs to be taken or scaled up.

#### Activities related to Output 2.2: **Alliance for a Circular Economy**

- A2.2.1. Assist the development of services for CE development, by private and public providers, including business intermediary organisations (BIOs) and Centres for Productive Innovation and Technology Transfer (CITEs).

*TEI: ES: Support to the Instituto Tecnológico de la Producción; EUR 500,000*

*TEI: DE: Promotion of qualification and business models; EUR 5,000,000*

- A2.2.2. Circular consumption - Increase citizen's awareness and demand for sustainably produced and healthy products.
- A2.2.3. Support the development of academic research and training programmes on circular economy and/or promote the mainstreaming of circularity in the former.

#### Activities related to Output 3.1: **Territorial development and value chains**

- A3.2.1. Assist the development of inclusive circular economy strategies in selected regions/economic corridors, responsive to gender and human rights<sup>11</sup>.
- A3.2.2. Promote awareness, knowledge, and capacities on circular economy in the agro-livestock sector.
- A3.2.3. Mainstream circular economy practices in selected agricultural value chains.
- A3.3.4. Organise matchmaking events, business missions and technology transfer initiatives for cleaner agro-livestock production, between the EU and Peru and at local level.

*TEI: EU-DE-ES: Sustainable Territorial Economic Development – ARD; 12M€ – 2M€ – 0.5M€*

*TEI: DE: BioInvest see 1.1.3*

*TEI: NL: Café Circular; EUR 3,000,000*

*TEI: EU-DE-ES: EU-LA Alliance for Sustainable Growth and Jobs AL-Invest Verde; 33M€-others 7.1M€*

#### Activities related to Output 3.2: **Circular Industry; Plastics and Textiles**

- A3.1.1. Promote industrial sector awareness, knowledge and capacities on circular economy.
- A3.1.2. Mainstream circular economy practices in selected industrial value chains, in principle plastics<sup>12</sup> and textiles<sup>13</sup>, via a specific roadmap or agenda, including *Prevent-Manage-Remediate* action.

<sup>10</sup> The EU at present supports the implementation of the already approved Circular Economy Roadmap for the Industry sector and the participative elaboration of the yet to be adopted Roadmaps for Agriculture & Irrigation as well as Fishing & Aquaculture.

<sup>11</sup> Indicatively Piura, La Libertad and San Martín. The 3 regions would allow covering coastal, highland and jungle areas.

<sup>12</sup> See <https://www.circularplasticsamericas.eu/>

<sup>13</sup> See <https://pacecircular.org/action-agenda/textiles>

TEI: DE: Circular economy for climate-friendly development (Roadmap for Industry); EUR 3,000,000

TEI: DE: Circular economy in the manufacturing sector; in preparation; EUR 3,000,000 TBC)

- A3.1.3. Organise matchmaking events, business missions and technology transfer initiatives for clean industrial production, between the EU and Peru and at local level.

Complementary – Energy transition:

TEI: EU-EIB: Renewable energy loan COFIDE; EUR 100,000,000 and EU LAIF grant EUR 4,000,000

TEI: EU-DE-SV-NL-AT: GET-transform; Electricity sector transition; n.a.

TEI: DE: DKTI Energy: Distribución eléctrica 4.0 - Smart grids; n.a.

The commitment of the EU's contribution to the Team Europe Initiatives foreseen under this action plan will be complemented by other contributions from Team Europe partners. It is subject to the formal confirmation of each respective partners' meaningful contribution as early as possible. In the event that the TEIs and/or these contributions do not materialise the EU action may continue outside a TEI framework.

### 3.3 Mainstreaming

#### **Environmental Protection & Climate Change**

Environmental protection and climate change are at the core of the Action. Regarding the Rio markers, the Action is labelled as '1 – significant objective' with respect to biological diversity, climate change mitigation and climate change adaptation. Regarding the OECD DAC general policy objective, the Action is set as '2 - Main objective' with respect to aid to environment. The Action promotes the incorporation of sustainable, low carbon and circular practices in consumption and production systems, resulting in environmental co-benefits for natural systems.

Thanks to its climate mitigation effects, the Action also contributes to the objectives of the Paris Agreement, reflected in Peru through its Nationally Determined Contributions.

The Action is not expected to create significant environmental hazards. Attention will be given to not lead to further deforestation for agricultural production. On the other hand, the Action brings direct and clear benefits for a greener economic growth in Peru, improving the health of its population and ecosystems. Its focus and results are contributing towards a sustainable development and green growth strategy in the country.

Where the action will work in specific regions and with specific value chains, it will include climate change, disaster preparedness and disaster risk reduction in consideration when designing and preparing activities. This approach shall both increase resilience of producers and conserve the environment, and form part of economic development strategies.

The EIA (Environment Impact Assessment) screening classified the action as Category C (no need for further assessment).

The Climate Risk Assessment (CRA) screening concluded that this action is no or low risk (no need for further assessment).

#### **Gender equality and empowerment of women and girls**

This action is labelled G1. Gender equality will be mainstreamed in supported national strategies, roadmaps, and value chain support interventions. The latter will seek to support a high proportion of women-led MSMEs, support value chains employing a high proportion of female labour, creating formal decent employment for women as well as increasing the participation of women in all decision-making process. The Action will contribute to the Gender Action Plan III, especially thematic area of engagement "Addressing the challenges and harnessing the opportunities offered by the green transition".

#### **Human Rights**

The Action will promote labour rights, in particular labour formalisation, decent and inclusive employment generation, and in consequence social inclusion and access to social services. It will also shape a healthier

workplace. This will favour those living in the most vulnerable situations, including unskilled workers (women and men) and agricultural smallholders. Among the latter fall native and indigenous communities.

Promoting the shift to a low-resource consumption and sustainable production will positively impact populations' and beneficiaries' (right holders) in all their diversity environmental rights, preserving access to unspoiled natural resources that enable survival, including land, shelter, food, water and air. The Action will respect the five human rights-based approach operational principles by respecting all human rights, promoting transparency, non-discrimination, accountability, and participation.

#### **Disability**

This Action does not specifically target the inclusion of persons with disability and is thus rated D0.

#### **Democracy**

The Action will promote the collaboration of public and private sector, academia and civil society, reinforcing dialogue on policies and local development.

It will promote corporate social responsibility in formal enterprise as well as formalisation, empowerment and of association of vulnerable producers.

#### **Conflict sensitivity, peace, and resilience**

By reducing resource consumption the Action can positively contribute to conflict prevention over land, water or other. Increasing the income of vulnerable populations, providing access to formal employment it can also mitigate potential social conflict before it arises.

#### **Disaster Risk Reduction**

Protecting an intact environment, the Action contributes to DRR. It integrates climate adaptation and resilience aspects into selected value chains, through the greening of private sector development models. Developing more circular business models shall bring about increased resilience to environmental and climate risks. The Action contributes to combatting biodiversity loss and climate mitigation and adaptation, major causes for disaster risk.

### 3.4 Risks and Lessons Learnt

<b>Category</b>	<b>Risks</b>	<b>Likelihood (High/ Medium/ Low)</b>	<b>Impact (High/ Medium/ Low)</b>	<b>Mitigating measures</b>
<b><i>1. RELATED TO THE EXTERNAL ENVIRONMENT</i></b>				
1.1 Macro-environment	COVID-19 pandemic	H	L	The COVID pandemic had a strong social impact on Peru. Its main value chains have adapted. Formalisation and mainstreaming resilience will mitigate risks further.
1.1 Macro-environment	Political instability, government changes, staff rotation in Ministries	H	M	Strengthening the multi-partner alliance for a circular transition, withstanding changes of authorities, is a key objective of the action. It strategically diversifies EU cooperation partners. Central government remains a crucial partner, but so are local authorities, private sector, academia, (civil) society. Work as Team Europe strengthens the EU position.
1.2 Political decisions and	Shift in political priorities	L	H	A shift in priorities, towards other intern partners is not excluded, but unlikely. EU/international trade practices or standards

priorities outside the Commission				offer higher prices for sustainable produce/products.
1.3 External partners	Weak vertical governance, inter-ministerial coordination or limited institutional resources	M	M	The Action includes technical assistance and capacity building for public and non-public partners. It will directly promote stakeholder coordination. It foresees a central steering mechanism, supports the consolidation of a multi-stakeholder platform, and promotes public-private partnerships to ensure financial leverage and stability.
<b>2. RISKS RELATED TO PLANNING, PROCESSES AND SYSTEMS</b>				
2.2. Operational processes 2.3. Financial processes 2.4. IT and other support systems	Timely contracting of decision within N+1 deadline (no Financing Agreement foreseen)	L	M	In order to have sufficient time for contracting the decision should occur in S1 2022.  The Delegation will prepare for contracting ahead of decision approval, including with suspensive clauses, to gain time, taking into account IT issues.
<p><b>Lessons Learnt:</b></p> <ul style="list-style-type: none"> <li>- In times of political instability, diversifying and building partnerships with different actors, such as the private sector and academia, mitigates risks and ensures continuity.</li> <li>- Include direct cooperation with implementing ministries that implement funds and have tighter bonds with the private sector (e.g. Agriculture, Production) to ensure greater impact in the greening of productions systems.</li> <li>- Adopting an inter-sectoral approach and working as Team Europe increase policy power, impact and coordination and reduces overlaps and transaction costs.</li> <li>- Link policy design and reform and concrete action in the field and benefits for populations in all their diversity (including youth, women and indigenous populations).</li> <li>- Focus interventions on sectors or geographic regions to obtain maximum and demonstration impact that can be multiplied.</li> <li>- Signing and amending a Financing Agreement with Peru is very complex and time-consuming, even more so when various Ministries are involved. Non-formal agreements can ensure the same appropriation.</li> </ul>				

### 3.5 The Intervention Logic

The objective of the proposed Action is to contribute to and to accelerate Peru's transition to an inclusive circular economy, reducing emissions, resource-use, and pollution.

It parts from the conviction that a well-coordinated Team Europe can have a transformative impact in this field; because of the strong presence of EU cooperation, development banks, the EU's importance as a market for Peruvian agro-livestock exports and the strong presence of the EU private sector in everything sustainable. On this basis, EU partners in Peru have agreed and committed to a Team Europe Initiative on Circular Transition.

Another premise is that Peru's circular transition requires an integrated inter- sectoral approach. The Action will thus act at i) macro/legal, ii) meso/institutional and service and iii) micro/business level.

First, the transition can only succeed if the political, legal and strategic policy framework is conducive. This includes promoting a systemic approach, gender and human rights responsive, inter-sector articulation and an overarching national circular economy strategy; and then individual sector strategies as the various roadmaps for the industry, agriculture, fisheries and other sectors. Importantly, the transition requires the development of financial instruments and fiscal and non-fiscal incentives.

Second, the transition also requires an enabling non-legal environment, to be achieved through a coordinated multi-actor alliance of public, private sector, academia and civil society representing the population diversity. The quadruple-helix Peru Circular Platform to be developed in 2022 is an adequate anchor or basis for forging this alliance. EU Action will promote the setting up of this Platform and its technical consolidation. Beyond the initial steps, it aims to assist its members to develop a broad set of CE services ranging from public and private technical innovation consulting services, financing, labels or standards development, private circular business model development support, academia training programmes to civil society action for citizen mobilisation or oversight.

Third, CE approaches will only be adapted if economically viable. The Action thus seek to demonstrate the economic viability of the sustainable transition. In partnership with regions and private sector it will select a limited number of pilot industrial and agricultural value chains for specific support.

Throughout, Team Europe and the Action will not start from scratch but build on ongoing EU-Peru cooperation on CE roadmaps, programmes on regional value chain development and joint initiatives with private sector, academia and civil society.

It will further support the deployment and consolidation of the Circular Transition TEI, finance a coordination structure for the TEI that enables integrated EU action, joint dialogue, and communication. Support shall include long and short-term technical assistance.

Joint EU policy dialogue will focus on the change of the political, legal, and strategic framework, Peru's adherence to multilateral initiatives.

While climate and environmental protection are the principal objective, the Action will at the same time significantly contribute to gender equality and resilience-building. Sectors and value chains will i.a. be chosen based on their potential to promote women's economic empowerment.

### 3.6 Logical Framework Matrix

Results	Results chain (@@): Main expected results (max. 10)	Indicators (@@): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
<b>Impact</b>	Peru transitions towards an inclusive sustainable economic growth.	<p>1 Municipal solid waste recycled (tonnes/year)</p> <p>2 Industrial discard material recycled (tonnes/year) (Law N° 1278, Ley de Gestión Integral de Residuos Sólidos)</p> <p>3 Green Public Procurement (GPP) as a percentage of total public procurement (%).</p>	<p>1 59,000 (2020)</p> <p>2 No data (2021)</p> <p>3 TBD (2021)</p>	<p>1 TBD (2027)</p> <p>2 TBD (2027)</p> <p>3 TBD (2027)</p>	<p>1 MINAM, Portal Web SINIA</p> <p>1 MINAM, Portal Web SINIA</p> <p>2 Law N° 1278 reporting requirements</p> <p>3 Supervisory Agency for State Procurement (OSCE-MEF)</p>	<i>Not applicable</i>
<b>Outcome 1</b>	Strengthen the enabling environment for circular economy development.	<p>1.1 Number of sectoral CE Roadmaps adopted.</p> <p>1.2 Number of International and EU climate and environment initiatives with Peru as a) a member, b) an active promoter.</p>	<p>1.1 1 (2021)</p> <p>1.2a) 4 (2021)</p> <p>1.2b) 3 (2021)</p>	<p>1.1 4 (2026)</p> <p>1.2a) 6 (2026)</p> <p>1.2b) 5 (2026)</p>	<p>1.1 Text of strategies and policy documents</p> <p>1.2. Lists of initiatives adhered to</p>	Peru remains committed to circular transition
<b>Outcome 2</b>	Consolidate a multi-actor alliance of public and private sector, academia, and civil society actors for promoting and leading the circular transition.	<p>2.1 Status of adoption of Statutes of PPEC, laying down rules for membership, financing and functioning.</p> <p>2.2 Number of PPEC working groups established.</p>	<p>2.1 No (2021)</p> <p>2.2 0 (2021)</p>	<p>2.1 Yes (2023)</p> <p>2.2 4 (2026)</p>	<p>2.1 Published text of strategies and policy documents</p> <p>2.2 Progress reports for the EU-funded intervention</p>	Peru is committed to establishing a multi-actor coordination mechanism.
<b>Outcome 3</b>	Promote circular businesses and value chains.	<p>3.1 Recycling rates of a) plastics packaging and b) textile sectors.</p> <p>3.2 **GERF 2.13 Number of (a) decent jobs, (b) green decent jobs supported/ sustained by the EU</p>	<p>3.1a) TBD (2021)</p> <p>3.1b) TBD (2021)</p> <p>3.2a) 0 (2021)</p> <p>3.2b) 0 (2021)</p>	<p>3.1a) TBD (2026)</p> <p>3.1b) TBD (2026)</p> <p>3.2a) 10000 (2027)</p> <p>3.2b) 10000 (2027)</p>	<p>3.1 Produce/SNI data</p> <p>3.2 Progress reports for the EU-funded intervention</p>	

<b>Results</b>	<b>Results chain (@@): Main expected results (max. 10)</b>	<b>Indicators (@@): (at least one indicator per expected result)</b>	<b>Baselines (values and years)</b>	<b>Targets (values and years)</b>	<b>Sources of data</b>	<b>Assumptions</b>
<b>Output 1 related to Outcome 1</b>	1.1 Laws, policies and other instruments forming part of the policy, regulatory, fiscal, trade and finance framework for circular economic development are developed, revised and better implemented.	1.1.1 Number of Draft national policies or overall strategies on circular economy developed with support of the EU-funded intervention. 1.1.2 Number of (a) mechanisms and incentives to promote sustainable initiatives and clean technologies developed with support of the EU-funded intervention, (b) gender and human rights sensitive. 1.1.3 Number of draft proposals for green finance action prepared with support of the EU-funded intervention.	1.1.1 0 (2021) 1.1.2a) 0 (2021) 1.1.2b) 0 (2021) 1.1.3 0 (2021)	1.1.1 1 (2026) 1.1.2a) 5 (2026) 1.1.2b) 3 (2026) 1.1.3 1 (2024)	1.1.2 Published text of strategies and policy documents 1.1.2 Progress reports for the EU-funded intervention 1.1.3 Progress reports for the EU-funded intervention	Authorities remain committed to promoting the circular transition.
<b>Output 2 related to Outcome 1</b>	1.2 Circular Economy Roadmaps, in priority areas of industry, agri-livestock, fisheries & aquaculture and services are defined and better deployed.	1.2.1 ** GERF 2.29 Number of (a) government policies developed or revised with civil society organisation participation through EU support, (b) gender and human rights sensitive. 1.2.2 Extent to which EU-funded intervention contributed to the progress in implementation of the Circular Economy Roadmap for the Industry Sector.	1.2.1a) 0 (2021) 1.2.1b) 0 (2021) 1.2.2 5% (2021)	1.2.1a) 4 (2026) 1.2.1b) 3 (2026) 1.2.2 50% (2026)	1.2.1) Published text of strategies and policy documents 1.2.2 PRODUCE Roadmap checklist	Actors are committed to develop further CE roadmaps, i.a. incl. for sectors as plastics, textiles
<b>Output 1 related to Outcome 2</b>	2.1. Enhanced institutional mechanisms for CE development, coordination and information generation	2.1.2 PPEC strategy/workplan for CE knowledge products and tools with a specific gender chapter, developed with support of the EU-funded intervention.	2.1.2 0 (2021)	2.1.2 1 (2023)	2.1.2 PPEC minutes	The Circular Peru Platform remains a political priority.
<b>Output 2 related to Outcome 2</b>	2.2. An Alliance of private and public actors, academia and CSO, including women, youth and indigenous organisations is formed, articulating the promotion of circular production and consumption.	2.2.1 Number of public-private CE service providers strengthened through the EU-funded intervention. 2.2.2 Number of citizens reached by awareness raising activities on circular production and consumption with support of the EU-funded intervention, disaggregated by sex and ethnicity. 2.2.3 Number of higher education institutions that extended or improved CE study offer with support of the EU-funded intervention.	2.2.1 0 (2021) 2.2.2 0 (2021) 2.2.3 TBD (2022)	2.2.1 10 (2026) 2.2.2 TBD (2026) 2.2.3 10 (2026)	2.2.1 Progress reports for the EU-funded intervention 2.2.3 Progress reports for the EU-funded intervention 2.2.3 Progress reports for the	

Results	Results chain (@@): Main expected results (max. 10)	Indicators (@@): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
					EU-funded intervention	
<b>Output 1 related to Outcome 3</b>	3.1. Enhanced capacity of selected regions/ economic corridors to implement circular economy practices in the agro-livestock sector, with a gender perspective.	3.1.1 GERF 2.29 Number of government policies developed or revised with civil society organisation participation through EU support 3.1.2 **GERF 2.1 Number of smallholders reached with EU supported interventions aimed to increase their sustainable production, access to markets and/or security of land / disaggregated by sex	3.1.1a) 0 (2021) 3.1.2 0/0 (2021)	3.1.1a) 2 (2026) 3.1.2a) 7000/3500 (2026)	3.1.1 GORE Resolutions 3.1.2 Progress reports for the EU-funded intervention	Regional value chain development strategies are in place.  Quadruple helix actors, incl. LA, are committed.
<b>Output 1 related to Outcome 3</b>	3.2 Circular industry: The capacity to employ circularity practices in the industry sector, and in particular in the plastics and textiles value chains, is increased.	3.2.1 Number of CE Action Agendas or Roadmaps for a) Plastics sector and b) Textiles elaborated with support of the EU-funded intervention. 3.2.2 **GERF 2.6 Number of Micro, Small and Medium Enterprises applying Sustainable Consumption and Production practices with EU support / led by women and indigenous . 3.2.3 Number of representatives of Micro, Small and Medium Enterprises trained by the EU-funded intervention with increased knowledge and/or skills in application of Sustainable Consumption and Production practices, disaggregated by sex	3.2.1a) 0 (2021) 3.2.1b) 0 (2021) 3.2.2 0 (2021) 3.2.3 0 (2021)	3.2.1a) TBD (2026) 3.2.1b) TBD (2026) 3.2.2 100/30 (2026) 3.2.3 250/100 (2026)	3.2.1a) Decree/ project report. b) SNI report 3.2.2 SNI report Pre- and post- training tests reports 3.2.3 MTPE	There is wide sector MSME interest to embrace clean production.

## 4 IMPLEMENTATION ARRANGEMENTS

### 4.1 Financing Agreement

In order to implement this action, it is not envisaged to conclude a financing agreement with the Government of Peru or any subnational public authority.

### 4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 48 months from the date of adoption by the Commission of this Financing Decision.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

### 4.3 Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures<sup>14</sup>.

#### 4.3.1 Direct Management (Grants)

##### **Grants: (direct management)**

##### **(a) Purpose of the grant(s)**

The purpose of the grant(s) is the implementation of

##### **Specific Objective 2: Consolidate a multi-actor alliance of public and private sector, academia, and civil society actors for promoting and leading the circular transition**

Output 2.2. (partial) An Alliance of private and public actors, academia and CSO, including women, youth and indigenous organisations is formed, articulating the promotion of circular production and consumption.

Output 2.2 shall be partially implemented under indirect management and partially through a direct grant. Indirect management will be used to support complementary initiatives of relevant actors in the field of circular economy, including through grants managed according to the implementing agency's procedures, while a direct grant shall be awarded to a uniquely positioned and mandated private sector association.

The grant will deepen the EU's alliance with a key promoter of the Peruvian Pact for a Circular Economy for sustainable circular development and production and drive the greening of selected value chains. The objectives behind joining forces with a uniquely positioned national private sector association, include to strengthen awareness of private leaders and society in general on the case for sustainable production and consumption and circular transition, and increase actor's knowledge on circular economy aspects.

##### **Specific Objective 3: Circular businesses and value chains are promoted,**

Output 3.2: Circular Industry; Plastics and Textiles

The grant will deepen the EU's alliance with industry for sustainable circular development and production and drive the greening of selected value chains. Joining forces with the uniquely positioned national industry association pursues the objectives to strengthen the general awareness of industry sector leaders on the case for sustainable production and circular transition, increase industry sector actor's knowledge on circular

<sup>14</sup> [www.sanctionsmap.eu](http://www.sanctionsmap.eu). Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

economy approaches and opportunities through different capacity building actions and seminars and drive the circular transformation of specific value chains under the mandate of the association.

Following the confirmation of a limited number of high-potential industrial value chains (indicatively 2 or 3; in principle plastics, textiles), the implementing industry association shall develop and implement sub-sector circular economy roadmaps and programmes to foster the adoption of sustainable production practices by MSMEs. It can also include the implementation of environmental quality management systems, labels, and certification schemes according to national and international standards. The aim is to target the development of greener and more circular practices in the selected industrial value chains, both upstream (during design and production phase) and downstream (distribution and sale).

The grant will indicatively include funding of training, consultancy, and technical assistance services for measuring levels of circularity of both products and organisations, adopting clean production agreements, elaborating circular roadmaps (including knowledge and technology transfer), and implementing mitigation actions.

The grant will further support the fostering of business opportunities, investment, technology-transfer between the EU-Peru private sector.

#### **(b) Type of applicants targeted**

##### **Specific Objective 2: Consolidate a multi-actor alliance of public and private sector, academia, and civil society actors for promoting and leading the circular transition**

Output 2.2. (partial) An Alliance of private and public actors, academia and CSO, including women, youth and indigenous organisations is formed, articulating the promotion of circular production and consumption.

The potential applicant is a private sector association with a unique position and mandate, which at the same time is a key actor of the circular economy ecosystem and promoter of the Peruvian Pact for a Circular Economy. It shall be legal entity established in Peru.

##### **Specific Objective 3: Circular businesses and value chains are promoted,**

Output 3.2: Circular Industry; Plastics and Textiles

The potential applicant is an industry association with a unique position and mandate. It shall be representative of a substantial share of industry in eventually selected value chains and be a legal entity established in Peru.

#### **(c) Justification of a direct grant**

##### **Specific Objective 2: Consolidate a multi-actor alliance of public and private sector, academia, and civil society actors for promoting and leading the circular transition**

Output 2.2. (partial) An Alliance of private and public actors, academia and CSO, including women, youth and indigenous organisations is formed, articulating the promotion of circular production and consumption.

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to the Camara de Comercio de Lima - CCL, which is the only private sector association with the technical competence, high degree of specialisation and administrative powers (Article 195(f) of the Financial Regulation) to implement the envisaged activities.

The CCL has the necessary strong, country-wide presence for the promotion of the transition to a circular economy. It has a high degree of proven knowledge in circular economy issues, ample technical and administrative experience in the implementation of cooperation grants and a sector and country-wide outreach through its alliance with the regional chambers of commerce (including agro, agro-processing and services).

The direct engagement with CCL further allows deepening policy dialogue with the mentioned sector, thanks to the CCL's political and policy power.

##### **Specific Objective 3: Circular businesses and value chains are promoted,**

Output 3.2: Circular Industry; Plastics and Textiles

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to the Sociedad Nacional de Industrias – SNI, which has a de jure or de facto

monopoly (Article 195(c) of the Financial Regulation) as the industry association uniting all national industry. In 2021 it had 846 members all across the country.

The activities can only be implemented by SNI due to the fact that in order to have significant impact in our efforts to promote the circular transition of the industry sector at country level, we need to engage with the only organisation that brings together the main Peruvian industrial actors.

In addition to the above, SNI meets the requirements in Article 195(f) of the Financial Regulation. Its technical competence and high degree of specialisation makes it the only organisation in Peru that allows deepening the policy dialogue with the industry sector regarding the development and the provision of structured services and capacities for the greening of the business development.

#### 4.3.2. Direct Management (Procurement)

Procurement will contribute to achieving:

##### **Specific Objective 1: Strengthen the enabling environment for circular economy development**

Output 1.1. Laws, policies and other instruments forming part of the policy, regulatory, fiscal, trade and finance framework for circular economic development are developed, revised and better implemented.

Output 1.2. Circular Economy Roadmaps, in priority areas of industry, agri-livestock, fisheries & aquaculture and services are defined and better deployed.

##### **Specific Objective 2: Consolidate a multi-actor alliance of public and private sector, academia, and civil society actors for promoting and leading the circular transition.**

Output 2.1. (partially) (2.1.1) Enhanced institutional mechanisms for CE development, coordination and information generation (2.1.2) Strengthen the PPEC to develop evidence-based data, information, and knowledge products.

**Cross-sectoral coordination**, including Team Europe action and the Team Europe Initiative.

#### 4.3.3 Indirect Management with a pillar assessed entity

A part of this action may be implemented in indirect management with EU MS agency(ies) AECID and/or GIZ, either under a multi-party contribution agreement or individual agreements.

This implementation entails support to:

##### **Specific Objective 2: Consolidate a multi-actor alliance of public and private sector, academia, and civil society actors for promoting and leading the circular transition.**

Output 2.2 (partial): An Alliance of private and public actors, academia and CSO, including women, youth and indigenous organisations is formed, articulating the promotion of circular production and consumption.

Output 2.2 shall be partially implemented under indirect management and partially through a direct grant. Indirect management will be used to support complementary initiatives of relevant actors in the field of circular economy, including through grants managed according to the implementing agency's procedures, while a direct grant shall be awarded to a uniquely positioned and mandated private sector association.

##### **Specific Objective 3: Promote circular businesses and value chains with a gender perspective.**

Output 3.1. Enhanced capacity of selected regions/economic corridors to implement circular economy practices in the agro-livestock sector

**Under Output 2.2**, MS agency(ies) will provide support to relevant actors for the promotion of the Circular Economy in Peru, acting among others in coordination around the multi-actor Circular Peru Platform (*Plataforma Peruana por una Economía Circular*, PPEC). Potential direct beneficiaries under this modality include public actors, private sector, academia and civil society representing the population diversity, with the commitment to promoting Circular Economy in Peru.

Support shall include technical assistance, capacity building, and importantly also funding of initiatives of selected actors. Topics of support can include institutional the development of services or information for the promotion of circular economy, cooperation with academia to develop circular economy training courses,

circular and recycling initiatives, the implementation of awareness raising and watchdog activities by civil society et al.

Under **Output 3.1**, the purpose of MS agency(ies) action is to drive the transition to a circular economy at territorial level in selected regions, and alongside selected agro-livestock value chains.

Building on the EU's ongoing territorial economic development programme ARD (Regional Development Agencies) and other ongoing and future TE programmes, EU support will help consolidate an enabling environment for circular development at territorial level. This can include further strengthening and development of ARD, the development of regional circular economy strategies or services.

Action shall strengthen awareness, increase territorial and value chain actor's knowledge on circular economy approaches and opportunities. Following a selection of a limited number of high-potential agro-livestock value chains in selected regions, implementing partners shall develop programmes to foster the adoption of sustainable production practices by producers. Tools indicatively include funding of training, consultancy and technical assistance services for measuring levels of circularity of both products and organisations,

To complement the former, the Action will further foster business opportunities, investment, technology-transfer between the EU-Peru private sector and the academia and the implementation of environmental quality management systems, labels, and certification schemes according to national and international standards.

Linking up with a next stage of support, assistance shall drive demand for investment in circular business models and identify related industry financing needs, for later potential support under the EFSD+.

Participating MSMEs and producers should be registered as individual businesses or legal entities: limited companies, unipersonal firms, or other legal forms of businesses, or committed do so. In case of informal activity, the grants will assist in the legalisation process.

The envisaged MS agency(ies) AECID and/or GIZ, are selected using the following criteria:

- Experience and presence in Peru
- Proven experience in circular economy promotion and the integration of sustainability and CE aspects into business models.
- Track-record in value chain development.
- Expertise in industrial and agro-industrial supplier programmes, and advanced business development services,
- Previous experience and expertise in the field of technological development and innovation centres or mechanisms, sustainable industrial parks and zones and industrial resource and energy efficiency and renewable energy is considered an asset.
- Capacity to coordinate and articulate multi-actor processes and multi-stakeholder dialogue platforms.
- **Capacity to sub-contract and provide grant funding to allies for Circular Economy development.**

The entrusted entity would carry out the following budget-implementation tasks, indicatively: award and management of procurement contracts (services and/or supplies and/or works).

#### 4.3.4 Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances (one alternative second option)

If due to exceptional circumstances, implementation in indirect management under 4.3.3 can no longer be envisaged, the foreseen activities can instead be implemented in direct management mode: grants, according to 4.3.1, following a Call for Proposals.

This applies vice versa for activities foreseen under 4.3.1, which could alternatively be implemented under indirect management, as described under 4.3.3.

#### 4.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in

the relevant contractual documents shall apply keep the phrase if any cases below are included, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

#### 4.5 Indicative Budget

<b>5. Indicative budget components</b>	<b>EU contribution (in EUR)</b>	<b>Third-party contribution, in currency identified</b>
<p><b>Specific Objective 1: Enabling environment</b>  <u>Output 1.1: Policy, regulatory, fiscal, trade and finance framework</u>  <u>Output 1.2: Circular Economy Roadmaps</u></p>	4,800,000	---
<p><b>Specific Objective 2: Forging a multi-actor alliance</b>  <u>Output 2.1 - Institutional mechanisms for a CE:</u>  <i>Procurement (direct management) – cf. section 4.3.2</i></p>		
<p><u>Output 2.2: Alliance for a CE:</u>  <i>Indirect management with a MS agency / AECID - cf. section 4.3.3</i>  <i>Grants (direct management) with key promoters of the Peruvian Pact for a Circular Economy – cf. section 4.3.1</i></p>	3,000,000 1,000,000	--- 100,000
<p><b>Specific Objective 3: Circular businesses and value chains</b>  <u>Output 3.1: Territorial development and value chains:</u>  <i>Indirect management with MS agency GIZ - cf. section 4.3.3–</i></p>	3,000,000	7,000,000 <sup>3</sup>
<p><u>Output 3.2: Circular Industry; Plastics and Textiles:</u>  <i>Grants (direct management) with industrial association(s) – cf. section 4.3.1</i></p>	2,000,000	300,000
<b>Evaluation and audit</b> – cf. sections 5.2 and 5.3	200,000	---
<b>Totals</b>	<b>14,000,000</b>	<b>21,400,000</b>

#### 4.6 Organisational Set-up and Responsibilities

The Action foresees the creation of a support cell to guide and provide horizontal support to Team Europe action in the field of Circular Transition and the respective TEI, assisting also joint planning and action of manifold EU public and private sector action. Going beyond a project implementation unit, this cell shall provide support in terms of coordination, planning, implementation, monitoring and communication of the Circular Transition TEI.

It will advise the Commission and TE members in the supervision of the action, inform other TE members in matters of joint action on circular transition, organise and provide the secretariat for the TEI working groups for circular economy and sustainable cities, et al.

Steering of the action shall occur in the frame of the TEI, through a specific Steering Committee to be set up. It shall in an initial stage include the following members:

- The Head of Cooperation of the European Union in Peru or a representative;
- The representative of the implementing MS agency(ies);
- The representative of the technical assistance / coordinator of the TEI support cell, who will act as Secretary of the Committee.

Conditional to later specific arrangements, and subject to mechanisms to be set up by the PPEC, it is envisaged to create a group to steer policy work under Specific objective 1: *The enabling environment for circular economy development is strengthened* and Output 2.1: PPEC, under the remit of the direct management by the Delegation.

This group shall meet at least every three months and provide overall guidance, coherence, and coordination. It could tentatively include the following members:

- The Minister of Environment (MINAM) or a representative;
- The Minister of Production (PRODUCE) or a duly designated representative;
- The Minister of Agricultural Development and Irrigation (MIDAGRI) or a representative;
- The Minister of Economy and Finance (MEF) or a representative;
- The Head of Delegation of the European Union in Peru or a representative;
- The representative of the technical assistance / coordinator of the TEI support cell, who will act as Secretary of the Committee.

The contribution agreements and grant(s) components, both under specific objective 2: *A multi-actor alliance of public and private sector, academia, and civil society actors for promoting and leading the circular transition is consolidated*, and under specific objective 3: *Sustainable value chains*, shall have their own, individual steering mechanisms or committees.

#### 4.7 Pre-conditions

N.A.

## 5 PERFORMANCE MEASUREMENT

### 5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support). Indicators shall be disaggregated at least by sex. All monitoring and reporting shall assess how the action is taking into account the human rights based approach and gender equality.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis, and monitoring:

A permanent TEI coordination cell, equipped with personnel financed by the EU or other EU cluster actors, will support the coordination of the Team Europe action in the field of circular transition and oversee the monitoring of progress achieved by the TEI. In this function the consultant will guide Team Europe

discussions on the TEI logical framework and results indicators. It will also be the consultant's function to ensure progress monitoring on the basis of inputs provided by EU Member States.

Where possible baseline studies will be carried out by the different implementing partners before the start of implementation. In several cases the establishment of baseline values and targets as well as the definition of a data collection methodology and an adequate monitoring system are part of the objective.

Particular attention shall be given to use of resources and waste generation (use of water, greenhouse gas emissions, recirculated materials) to establish the current status and provide a benchmark for all related activities. Also, project surveys shall be carried out regularly to collect information during the project implementation and provide feedback information and recommendations.

## 5.2 Evaluation

Having regard to the importance of the action, a mid-term evaluation, and depending on timing also a final evaluation, will be carried out for this action or its components via independent consultants.

The mid-term evaluation will be carried out for problem solving and learning purposes, in particular with respect to the pertinence of the design chosen. The evaluation shall inform the design of the next stage of EU support under the TEI.

The Commission shall inform the implementing partner at least 2 months in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

Gender equality and human rights expertise will be included in monitoring and evaluation teams as appropriate. All evaluation shall assess to what extent the action is taking into account the human rights based approach as well as how it contributes to gender equality and women's empowerment. Expertise on human rights and gender equality will be ensured in the evaluation teams.

The evaluation reports shall be shared with the partner country and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

The financing of the evaluation shall be covered by another measure constituting a Financing Decision.

Regarding the wider TEI, an evaluation jointly with contributing Member States and EDFIs is the preferred option to provide an overview of the action within the larger impact of the TEI.

## 5.3 Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

# 6 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

It will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.

## Appendix 1 REPORTING IN OPSYS

An Intervention (also generally called project/programme) is the operational entity associated to a coherent set of activities and results structured in a logical framework aiming at delivering development change or progress. Interventions are the most effective (hence optimal) entities for the operational follow-up by the Commission of its external development operations. As such, Interventions constitute the base unit for managing operational implementations, assessing performance, monitoring, evaluation, internal and external communication, reporting and aggregation.

Primary Interventions are those contracts or groups of contracts bearing reportable results and respecting the following business rule: ‘a given contract can only contribute to one primary intervention and not more than one’. An individual contract that does not produce direct reportable results and cannot be logically grouped with other result reportable contracts is considered a ‘support entities’. The addition of all primary interventions and support entities is equivalent to the full development portfolio of the Institution.

The present Action identifies as;

<b>Action level</b>		
<input checked="" type="checkbox"/>	Single action	Present action: all contracts in the present action